CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

Interim Report

2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-executive Director
Mr. Sze Irons, JP

Independent non-executive Directors
Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

BOARD COMMITTEES

Audit committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka

Remuneration committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

Nomination committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 806, 8/F., AXA Centre
151 Gloucester Road
Wan Chai, Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Commerce & Finance Law Offices

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Guotai Junan Capital Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Merchants Bank Company Limited
(Changbei Sub-branch)
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2012, international economic conditions remained challenging. The Gross Domestic Product ("**GDP**") growth in the US was less than 2.0% while the GDP growth in the European Union 27 countries was only approximately 0.1%. The Euro zone sovereign debt crisis showed little signs of improvement and some European countries was forced into adopting austerity measures in order to improve their fiscal conditions, and such measures have affected local demand and China's export.

On the domestic side, economic growth in the PRC has shown signs of slowing down. The GDP growth in the PRC decreased from 9.2% for 2011 to 8.1% and 7.8% in the first quarter and second quarter of 2012, respectively. The Consumer Price Index decreased from approximately 5.4% in 2011 to approximately 3.3% in the first half of 2012.

The PRC government has been combating inflation and rising property prices by adopting a prudent monetary policy since late 2010. The People's Bank of China ("**PBOC**") has raised benchmark interest rates of deposits and loans three times in 2011; benchmark loan interest rate for six months to one year term has reached 6.56% per annum in June 2011. PBOC also tightened liquidity by increasing the mandatory reserve ratio seven times, pushing the mandatory reserve ratio upwards for larger financial institution to 21.5% in December 2011. In view of the difficult economic conditions overseas and a slowing domestic economy, the PBOC began to loosen its monetary policy in 2012. The PBOC has reduced benchmark interest rates of deposits and loans in June and July 2012, reducing benchmark loan interest rate for six months to one year term to 6.00% per annum in July 2012. It also reduced the mandatory reserve ratio three times by 0.5% each in December 2011, February and May 2012, pushing the mandatory reserve ratio downwards for larger financial institution to 20.0% in May 2012.

The first half of 2012 was difficult for the textile industry. The complicated international environment and tight liquidity in the PRC have affected many industries, including the textile industry. Raw material prices have dropped significantly in the first half of 2012. Domestic cotton prices dropped from a high level of around RMB30,000 per tonne in first quarter of 2011 to a low level of below RMB19,000 per tone in June 2012. The prices of polyester staple fibres have slipped from a high level of around RMB10,800 per tonne in the third quarter of 2011 to around RMB9,000 per tone in the first quarter of 2012 and further dropped to an even lower level of around RMB7,000 per tonne in June 2012. In the midst of such environment, the overall demand for textile products including yarn products was weak for the first half of 2012. The selling prices of yarn products were depressed as a result of reduced raw material prices and weak market demand.

BUSINESS REVIEW

Despite the difficult market conditions in 2012, sales volume of the Group was approximately 26,757 tonnes for the six months ended 30 June 2012 which was slightly higher than the sales volume of approximately 26,721 tonnes recorded for the six months ended 30 June 2011. The production of the Group increased from approximately 27,817 tonnes for the six months ended 30 June 2011 to approximately 29,593 tonnes for the six months ended 30 June 2012 as a result of increased capacity and improved production processes. The revenue of the Group decreased by 20.5% to approximately RMB418.8 million as a result of depressed selling prices. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2012 was approximately RMB23.1 million and approximately RMB5.1 million, respectively.

FINANCIAL REVIEW

Turnover

Turnover for the six months ended 30 June 2012 was approximately RMB418.8 million, representing a decrease of approximately 20.5% or approximately RMB107.8 million from the same period last year. Sales of polyester yarn, polyester-cotton yarn and cotton yarn accounted for approximately 49.2% (2011: 49.4%), 45.5% (2011: 45.7%) and 5.3% (2011: 4.9%) of total sales of the Group for the six months ended 30 June 2012, respectively. The decrease in turnover for 2012 was mainly attributable to the decrease in average unit selling prices of the Company's yarn products. Despite that the sales volume was approximately 26,757 tonnes for the six months ended 30 June 2012 which was slightly higher than the sales volume of approximately 26,721 tonnes for the six months ended 30 June 2011, the overall average selling price of yarn products of the Group decreased by 20.6% from approximately RMB19,706 per tonne for the six months ended 30 June 2011 to approximately RMB15,652 per tonne for the six months ended 30 June 2012.

Management Discussion and Analysis

The selling prices of yarn products generally have a positive correlation with that of raw materials, namely, polyester staple fibre and raw cotton. The Company sets the sales prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our customers. As polyester staple fibres are crude oil – based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Company adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, we also monitor the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of its yarn products in order to respond to the changes of the various factors affecting its selling price. The average unit purchase price of polyester staple fibre and raw cotton were lower in the first half of 2012 than in 2011 and the prices of various yarn products of the Group have been pushed down accordingly.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2012 was approximately RMB23.1 million, representing a decrease of 68.3% or approximately RMB49.7 million as compared to the six months ended 30 June 2011. Gross profit margin decreased from 13.8% for the six months ended 30 June 2011 to 5.5% for the six months ended 30 June 2012. The decrease in gross profit margin was mainly due to the average unit selling prices of yarns products having decreased at a faster rate than the decrease in the cost of sales in percentage terms. While the percentage decrease in selling prices of yarns products were in line with that of raw materials, the decrease in gross profit margin was also attributable to a slight increase in labour and other manufacturing overhead costs.

Other Income

Other income increased from approximately RMB1.9 million for the six months ended 30 June 2011 to approximately RMB9.8 million for six months ended 30 June 2012, representing an increase of 402.9% or approximately RMB7.8 million. The increase in other income was mainly due to increase in other government grants, interest income and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses increased from approximately RMB5.4 million for the six months ended 30 June 2011 to approximately RMB6.1 million for six months ended 30 June 2012, representing an increase of 13.1% or approximately RMB0.70 million. Distribution and selling expenses as a percentage of turnover was approximately 1.4% for the six months ended 30 June 2012 (2011: 1.0%). The increase in distribution and selling expense was mainly due to increase in transportation cost. Despite that the total sales volume of the Group for the for six months ended 30 June 2012 was slightly higher than that of the corresponding period in 2011, the increase in freight rate and a higher number of sales orders of smaller sizes resulted in increased transportation cost.

Administrative and other expenses

Administrative expenses for the six months ended 30 June 2012 was approximately RMB11.4 million, representing an increase of 17.6% or approximately RMB1.7 million as compared to the six months ended 30 June 2011. The increase in administrative expenses was mainly increased management emolument, legal and professional fees and office expenses in Hong Kong subsequent to the listing of the Company's shares in December 2011, which were partially offset by the reduction in other taxation, including mandatory tax levies for foreign-invested enterprises in the PRC for city maintenance and construction as well as educational purposes as a result of reduced revenue. Other expenses for the six months ended 30 June 2012 and 30 June 2011 was approximately RMB1.1 million and RMB6.0 million, respectively. Other expenses primarily represent exchange losses on translation of Hong Kong Dollar based net assets at 30 June 2012 and expense incurred in connection with the listing of the Company's shares in December 2011 respectively.

Finance cost

Finance cost for the six months ended 30 June 2012 was approximately RMB6.9 million, representing an decrease of 18.4% or approximately RMB1.5 million as compared with the corresponding period in 2011. The decrease in finance cost was mainly due to decrease in interest expense in finance leases as the company repaid a finance lease in December 2011.

Management Discussion and Analysis

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2012 was approximately 30.3%, as compared to nil for the corresponding period in 2011. The increase in effective income tax rate was mainly due to expiration of the PRC tax concessions and exhaustion of tax credits carried forward in 2011. The effective tax rate was higher than the Enterprise Income Tax ("**EIT**") rate of 25% arising from PRC for the period under review because the expenses incurred by the Group in Hong Kong was not deductible for EIT purposes.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately RMB5.1 million, representing a decrease of approximately 88.7% or approximately RMB40.1 million as compared to the six months ended 30 June 2011. The net profit margin of the Group for the six months ended 30 June 2012 was approximately 1.2%, representing a decrease of 7.4 percentage points as compared to approximately 8.6% for the six months ended 30 June 2011. The decrease in net profit and net profit margin were mainly due to the decrease in gross profit for the six months ended 30 June 2012 as compared to the six months ended 30 June 2011 due to reasons as set out in the paragraph headed "Gross profit and gross profit margin" above. Such decrease was partially offset by increased in other income and decrease in other expenses and losses.

Earnings per share

The basic earnings per share for the six months ended 30 June 2012 was approximately RMB0.51 cents, representing a decrease of approximately 91.6% as compared to approximately RMB6.04 cents for the six months ended 30 June 2011. The decrease in basic earnings per share was a result of the decrease in net profit for the six months ended 30 June 2012.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the six months ended 30 June 2012, net cash outflow from operating activities of the Group amounted to approximately RMB48.1 million (six months ended 30 June 2011: inflow RMB68.8 million). The Group had time deposits of approximately RMB6.3 million (31 December 2011: RMB128.4 million), cash and bank balances of approximately RMB113.6 million (31 December 2011: RMB86.0 million) and pledged bank deposits of approximately RMB9.4 million (31 December 2011: RMB24.4 million) as at 30 June 2012. The Group's cash and bank balances were held in Hong Kong dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi. As at 30 June 2012, the Group's interest-bearing borrowings amounted to approximately RMB216.0 million (31 December 2011: RMB220.0 million), all of which (31 December 2011: 100%) was repayable within one year. Approximately 18.5% (31 December 2011: 13.6%) of such bank loans bore interest at fixed lending rate. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery, inventories and bank deposits with a carrying value of approximately RMB371.3 million in aggregate (31 December 2011: RMB379.6 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and notes payable to total assets, was approximately 36.5% as at 30 June 2012 (31 December 2011: 33.6%). Net current liabilities and net assets at 30 June 2012 was approximately RMB83.0 million (31 December 2011: RMB7.5 million) and approximately RMB403.9 million (31 December 2011: RMB408.4 million), respectively. The increase in net current liabilities was mainly due to reduced profitability, increase in inventory and payment for construction in progress.

Foreign Exchange Exposure

As the Group conducts business transactions principally in only one currency, the Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2012. The Group has foreign currency time deposits, cash and bank balances, other receivables, other payable and trust receipt loans, which expose the Group to risk in Hong Kong dollars ("**HK$**"), United States dollars ("**USD**") and Euros ("**EU**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2012 are approximately RMB11.9 million (31 December 2011: RMB114.7 million) and RMB51.1 million (31 December 2011: RMB1.0 million) respectively.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2012, the Group did not have any contingent liabilities.

Significant investments and acquisitions

During the six months ended 30 June 2012, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB5.4 million (six months ended 30 June 2011: approximately RMB0.06 million) and RMB52.0 million (six months ended 30 June 2011: approximately RMB31.1 million), respectively. Save as disclosed above, the Group did not make any other significant investment for the six months ended 30 June 2012 and did not hold any such investment as at 30 June 2012.

Employees, Remuneration and Share Option Scheme

As at 30 June 2012, the Group had a total of 1,907 (31 December 2011: 1,765) employees. Remuneration for employees including the Directors is determined in accordance with performance, professional experiences and the prevailing market practices. Management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company has adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Use of Net Proceeds from Listing

The Group has received approximately HK$152.0 million total net proceeds, after deducting underwriting fee and other related expenses, from the initial public offering of the Company's shares in December 2011, including the partial exercise of the over-allotment option in January 2012 by the underwriters. These proceeds were applied during the period under review to the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 22 December 2011 (the "Prospectus"), as follows:

	Net Proceeds (HK$ million)		
	Available	Utilised	Unutilised
Equipment and machinery for the production of coloured polyester-cotton blended yarn of approximately 55,000 spindles	62.2	55.9	6.3
Equipment and machinery for the production of open-end spun yarn of approximately 20,000 spindles	43.6	–	43.6
Construction of new production facilities, not including the cost of land use rights	29.5	27.6	1.9
Enhance marketing network, brand awareness and reputation	1.5	0.3	1.2
Working capital and general corporate purposes	15.2	15.2	–
Total	152.0	99.0	53.0

There was no application of proceeds for equipment for the production of open-end spun as the management of the Group is still considering the most appropriate type of equipment to be deployed. The Group has deposited the unutilised proceeds in licensed banks in Hong Kong and the PRC.

Merger and Acquisition

For the six months ended 30 June 2012, no acquisition or disposal of subsidiaries or associates was made by the Group.

Management Discussion and Analysis

PROSPECT

The textile industry is recognized as one of the “pillar industries” in the PRC. In 2011, the aggregate revenue generated by enterprises each with an annual revenue of more than RMB5.0 million (“**Enterprises with Scale**”) in the PRC textile industry exceeded RMB5.0 trillion, representing more than 11% of the GDP in the PRC for the same year.

The Group is a leading manufacturer of polyester yarns, polyester-cotton blended yarns and cotton yarns in Jiangxi Province. As at 30 June, 2012, its production capacity was approximately 326,000 spindles. The yarn production volume was approximately 29,593 tonnes for the six months ended 30 June 2012.

Subsequent to the listing of the Company’s shares in December, 2011, the Group has been proceeding with its expansion plan. The construction of the foundation work and other infrastructure for the Group’s new production facilities has commenced in January 2012. In view of the changing market conditions, the expansion plan of the Group was slightly modified such that the immediate expansion of production capacity will involve approximately 55,000 spindles for the Group’s color polyester-cotton blended yarn production and 20,000 spindles for the Group’s open end spun yarn production. The expansion of the Group’s color polyester-cotton blended yarn production and the expansion of the Group’s open end spun yarn production are expected to complete during the same timeframe. Out of the planned expansion of 55,000 spindles for the Group’s color polyester-cotton blended yarn production, 5,000 spindles have been installed at the existing workshop in order to test the new equipments to be deployed at the new workshops. The design of the new workshops has been enhanced such that color polyester-cotton blended yarns capacity could be scalable up to a maximum of 100,000 spindles to cater for future expansion. The exceptionally long rainy seasons in Fengxin County of Jiangxi in the second quarter of 2012 has introduced some delay in the construction of the workshops. The Group expects the main components of the constructions to be completed in early fourth quarter of 2012 and the installation of equipment to commence at the same time.

Despite the challenging market conditions faced by the Group, the Group has improved its production process and put emphasis on product quality and production safety. During the six months ended 30 June 2012, the Group has passed the annual certification on ISO 9001 and ISO 14001 on quality control. The Group also increased production volume form from approximately 27,817 tonnes for the six months ended 30 June 2011 to approximately 29,593 tonnes for the six months ended 30 June 2012.

The Group is confident about its future and expects to reap the benefits of an enlarged product portfolio and increased economy of scale as a result of the planned expansion of the Group’s production capacity. The Group also strives to be well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

Corporate Governance and Other Information

INTERIM DIVIDEND

The board of Directors of the Company has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are set out below:

Long positions in ordinary Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of interest in the Company
Mr. Zheng Hong	Interest of a controlled corporation	467,550,000(1) (long position)	46.18%
Mr. Sze Irons	Interest of a controlled corporation	122,850,000(2) (long position)	12.13%

Notes:

(1) These Shares are held by Popular Trend, the entire issued share capital of which is owned by Mr. Zheng Hong.

(2) These Shares are held by Flourish Talent, the entire issued share capital of which is owned by Mr. Sze Irons.

Save as disclosed above, as at the date of this report, none of the directors had registered on interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 30 June 2012, so far as is known to any director or chief executive of the Company, the persons or corporations (other than director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Popular Trend[1]	Beneficial owner	467,550,000 Shares (long position)	46.18%
Flourish Talent[2]	Beneficial owner	122,850,000 Shares (long position)	12.13%
Da Yu Investment[3]	Beneficial owner	61,425,000 Shares (long position)	6.07%
Mr. Lin Sin Yun[3]	Interest of a controlled corporation	61,425,000 Shares (long position)	6.07%

Notes:

1. Popular Trend is wholly-owned by Mr. Zheng Hong.
2. Flourish Talent is wholly-owned by Mr. Sze Irons.
3. Da Yu Investments is wholly-owned by Mr. Lin. For the purpose of Part XV of the SFO, Mr. Lin is deemed to be interested in the Shares held by Da Yu Investments.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions contained in the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules; and during the period from 1 April 2012 to 30 June 2012, the Company had complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in that Appendix. In respect of code provision A 6.7 of the CG Code, three independent non-executive directors and one non-executive director were unable to attend the annual general meeting of the Company held on 9 May 2012 due to other business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin and Mr. Ng Wing Ka. Ms. Chan Mei Bo, Mabel is the chairman of the Audit Committee.

The Group's unaudited interim report for the six months ended 30 June 2012 has been reviewed and approved by the Audit Committee. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 has also been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity",whose review report is disclosed on page 11 of this interim report.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED
中國織材控股有限公司
(incorporated in the Cayman Island with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Weaving Materials Holdings Limited (the "Company") and its subsidiaries set out on pages 12 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(unaudited)	(audited)
	NOTES	**RMB'000**	RMB'000
Revenue	5	**418,802**	526,559
Cost of sales		**(395,715)**	(453,737)
Gross profit		**23,087**	72,822
Other income	6	**9,752**	1,939
Distribution and selling expenses		**(6,069)**	(5,368)
Administrative expenses		**(11,437)**	(9,725)
Other expenses		**(1,102)**	(5,973)
Finance costs		**(6,883)**	(8,432)
Profit before tax		**7,348**	45,263
Income tax expense	7	**(2,228)**	–
Profit and total comprehensive income for the period attributable to owners of the Company	8	**5,120**	45,263
Earnings per share	10		
– Basic (RMB cents)		**0.51**	6.04
– Diluted (RMB cents)		**0.51**	6.04

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	**As at 30 June 2012 (unaudited) RMB'000**	As at 31 December 2011 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**448,596**	400,332
Prepaid lease payments	11	**31,902**	19,394
Deposits on acquisition of property, plant and equipment or land use rights		**13,770**	2,600
Secured deposit for obligation under finance lease		**–**	3,022
		494,268	425,348
Current assets			
Inventories	12	**75,950**	44,611
Trade and other receivables	13	**19,720**	8,839
Note receivables	14	**5,752**	9,539
Prepaid lease payments		**691**	430
Pledged bank deposits		**9,356**	24,443
Time deposits		**6,309**	128,361
Cash and bank balances		**113,596**	86,047
		231,374	302,270
Current liabilities			
Trade and other payables	15	**43,120**	49,278
Note payables	16	**–**	18,650
Dividend payable		**2,067**	–
Tax payable		**679**	8,852
Bank borrowings	17	**264,539**	225,817
Obligations under finance leases		**4,001**	7,219
		314,406	309,816
Net current liabilities		**(83,032)**	(7,546)
Total assets less current liabilities		**411,236**	417,802

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Non-current liabilities			
Deferred income		**6,490**	6,564
Obligations under finance leases		**823**	2,833
		7,313	9,397
Net assets		**403,923**	408,405
Capital and reserves			
Share capital	18	**82,899**	81,885
Share premium and reserves		**321,024**	326,520
Total equity attributable to the owners of the Company		**403,923**	408,405

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital/ paid-in capital RMB'000 (note 4)	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 1)	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2011 (audited)	148,820	–	38,575	–	25,964	213,359
Issued of shares of Jolly Success	1	–	–	–	–	1
Exchange of shares upon Group Reorganisation (note 1)	(1)	–	–	1	–	–
Profit and total comprehensive income for the period	–	–	–	–	45,263	45,263
As at 30 June 2011 (audited)	148,820	–	38,575	1	71,227	258,623
As at 1 January 2012 (audited)	**81,885**	**52,604**	**56,275**	**148,739**	**68,902**	**408,405**
Issued of shares through exercising over-allotment option (note 18)	**1,014**	**6,086**	**–**	**–**	**–**	**7,100**
Cost of issuing new shares	**–**	**(178)**	**–**	**–**	**–**	**(178)**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**5,120**	**5,120**
Dividends recognised as distribution (note 9)	**–**	**(16,524)**	**–**	**–**	**–**	**(16,524)**
As at 30 June 2012 (unaudited)	**82,899**	**41,988**	**56,275**	**148,739**	**74,022**	**403,923**

Note:

(1) Statutory surplus reserve representing appropriations from the profits after taxation of a wholly-owned subsidiary, Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan") established in the People's Republic of China ("PRC") forms part of shareholders' equity of Jiangxi Jinyuan. In accordance with the PRC Company Law and the Articles of Association of Jiangxi Jinyuan, Jiangxi Jinyuan is required to appropriate an amount at a minimum of 10% of its profits after taxation each year to a statutory surplus reserve until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus can be used for converting into additional capital of Jiangxi Jinyuan.

(2) On 13 June 2011, the Company allotted and issued 900,000 nil paid shares, credited as fully paid, together with the existing 100,000 nil paid shares, credited as fully paid, in exchange of the entire share capital of Jolly Success International Limited ("Jolly Success"), a wholly-owned subsidiary of the Company.

(3) On 18 January 2012, the over-allotment shares of 12,500,000 were allotted and issued by the Company at HK$0.7 per share. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB6,900,000) from these over-allotment shares, after deduction of share issue cost payable by the Company.

(4) The paid-in capital as at 30 June 2011 represented the registered capital of Jiangxi Jinyuan prior to a Group Reorganisation (defined and explained in note 1).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(48,111)**	68,825
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**66,071**	24,609
Withdrawal of time deposits with original maturity more than three months	**30,000**	–
Interest received	**1,294**	459
Placement of pledged bank deposits	**(50,984)**	(49,332)
Purchase of property, plant and equipment and payment for construction in progress	**(28,042)**	(12,028)
Addition to prepaid lease payments	**(10,417)**	–
Deposits on acquisition of property, plant and equipment	**(440)**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**7,482**	(36,292)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(93,817)**	(164,737)
Dividends paid	**(14,457)**	(85,800)
Repayment of obligations under finance leases	**(2,522)**	(12,880)
Proceeds from bank borrowings	**80,000**	143,412
Proceeds from issue of new shares	**7,100**	–
Payment for share issue costs	**(178)**	–
Advance from a related company	**–**	7,154
Proceed from issue of shares of Jolly Success to its former shareholder	**–**	1
NET CASH USED IN FINANCING ACTIVITIES	**(23,874)**	(112,850)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(64,503)**	(80,317)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**184,408**	113,514
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**119,905**	33,197
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**113,596**	33,197
Time deposits with original maturity less than three months	**6,309**	–
	119,905	33,197

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 December 2011. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, The People's Republic of China ("PRC").

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 October 2011, as set out in "History and Corporate Structure" in the prospectus issued by the Company dated 12 December 2011. The Group resulting from the Group Reorganisation is regarded as a restructure by interspersing the Company between Jolly Success International Limited, Treasure Resources Corporation Limited and shareholders of Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan"). Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The Company is an investment holding company. Its operating subsidiary, Jiangxi Jinyuan is engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As of 30 June 2012, the Group had net current liabilities of approximately RMB83,032,000 (31 December 2011: RMB7,546,000). Up to the date these condensed consolidated financial statements were authorised for issuance, certain banks agreed to renew bank loans amounting to RMB125,000,000 currently included in current liabilities as at 30 June 2012. In addition, the Group has undrawn banking facilities of RMB150,000,000 as at 30 June 2012 which will not be expired in the coming 12 months. Therefore, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as they fall due for the foreseeable future, and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to International financial Reporting Standards ("IFRS") that are mandatorily effective for the current interim period. The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised Standards and Amendments that have been issued but are not yet effective. The following new or revised Standards and Amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[1]
Amendments to IFRS 10, IFRS 11and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

1 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company ("Directors") anticipate that the applications of the new and revised Standards and Amendments will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC ("PRC GAAP"), that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

Other than revenue analysis by major products as disclosed in note 5, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit after tax of Jiangxi Jinyuan prepared under PRC GAAP for the purposes of resources allocation and performance assessment for the six months ended 30 June 2012 and 2011, respectively. The operations of Jiangxi Jinyuan represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

The segment revenue is the same as the Group's revenue for the interim periods. Reconciliation of segment result, segment assets and segment liabilities reviewed by the CODM which are different from the Group's result, total assets and total liabilities are as follows:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Segment profit reviewed by CODM	**2,433**	50,761
Adjusted for income in relation to government grants	**6,575**	475
Unallocated income	**362**	–
Listing expenses	**–**	(4,954)
Other unallocated expenses	**(4,250)**	(1,019)
Group's profit for the period	**5,120**	45,263

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. SEGMENT INFORMATION (Continued)

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Segment assets reviewed by CODM	**712,852**	612,965
Time deposits with original maturity less than three months	**6,309**	98,361
Cash and bank balances	**5,623**	16,222
Other unallocated assets	**858**	70
Group's total assets	**725,642**	727,618

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Segment liabilities reviewed by CODM	**312,681**	311,024
Adjusted for deferred income	**6,490**	6,564
Accrued listing and administrative expenses	**481**	1,625
Dividend payable	**2,067**	–
Group's total liabilities	**321,719**	319,213

5. REVENUE

The following is an analysis of the Group's revenue from its major products during the period:

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (audited) RMB'000
Sales of polyester yarns	**206,022**	260,329
Sales of polyester-cotton blended yarns	**190,346**	240,494
Sales of cotton yarns	**22,434**	25,736
	418,802	526,559

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

6. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Interest income on time deposits, pledged bank deposits and bank balances	**1,294**	459
Government grants (note)	**6,575**	475
Income from scrap sales	**1,636**	839
Others	**247**	166
	9,752	1,939

Note: For the six months ended 30 June 2012, government grants mainly represent subsidies of RMB6,500,000 (six months ended 30 June 2011: Nil) received by Jiangxi Jinyuan from the Ministry of Finance of Yichun City, Jiangxi Province 江西奉新工業園區財政所 for rewarding Jiangxi Jinyuan past contribution to Jiangxi Province without any further specific conditions attached, as such, an amount of RMB6,500,000 was recognised in the condensed consolidated statement of comprehensive income when the grant was received. The remaining RMB75,000 (six months ended 30 June 2011: RMB75,000) are related to government grants on purchase of land use right which are amortised over a straight line basis over the life of the corresponding land use right.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**2,228**	–

The tax charge in respect of the current period represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiary in the PRC. The applicable tax rate for Jiangxi Jinyuan, a subsidiary, is 25% from 1 January 2011 onwards.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. INCOME TAX EXPENSE (Continued)

No provision for EIT has been made for the six months period ended 30 June 2011 as the Group has utilised tax concession relating to the purchase of domestic manufactured equipment in prior years to offset the income tax liability of Jiangxi Jinyuan. All the tax reduction has been utilised as at 31 December 2011.

In accordance with Circular Guo Shui Fa [2008] No. 52 on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment issued by State Administration of Taxation, the granting of tax credit on purchase of domestic manufactured equipment on or after 1 January 2008 was ceased.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards at a tax rate of 10% or a lower treaty rate. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately RMB107,781,000 (31 December 2011: RMB102,432,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Other than the above, the Group has no other significant unprovided deferred tax at the end of the reporting period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**395,715**	453,737
Depreciation of property, plant and equipment	**9,700**	9,083
Amortisation of prepaid lease payments	**247**	154
Total depreciation and amortisation	**9,947**	9,237
Listing expenses (included in other expenses)	**–**	4,954

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Final dividend declared for 2011 – HK$2 cents per share (2011: Nil)	**16,524**	–

The dividend declared for the year ended 31 December 2011 were paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

No dividends were proposed during the reporting period. The Directors do not recommend the payment of an interim dividend.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**5,120**	45,263
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,011,264**	750,000
Effect of dilutive potential ordinary shares – over-allotment options	**666**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,011,930**	750,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. EARNINGS PER SHARE (Continued)

The number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2011 had been adjusted retrospectively assuming that the Group Reorganisation and the capitalisation issue on 3 December 2011 have been effective from 1 January 2011 and accordingly, the 750,000,000 ordinary shares of the Company which were in issue and outstanding immediately after the Group Reorganisation were assumed to have issued and outstanding as at 1 January 2011. No diluted earnings per share was presented for the six months ended 30 June 2011 as there were no potential ordinary shares in issue.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period, the Group acquired plant and equipment and construction in progress of approximately RMB57,969,000 (for the six months ended 30 June 2011: RMB31,556,000) and land use rights under medium-term lease of approximately RMB13,017,000 (for the six months ended 30 June 2011: nil) mainly relating to its manufacturing plant in the PRC.

Borrowing costs of approximately RMB738,000 (for the six months ended 30 June 2011: RMB978,000) has been capitalised in these carrying amounts during the period. Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.81% (2011: 6.48%) per annum to expenditure on qualifying assets.

12. INVENTORIES

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Raw materials	**11,403**	20,101
Work in progress	**8,379**	8,436
Finished goods	**56,168**	16,074
	75,950	44,611

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

13. TRADE AND OTHER RECEIVABLES

In general, the Group will receive advance or notes from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Trade receivables		
1–30 days	**7,934**	–
31–90 days	**2**	900
	7,936	900
Advance payment to suppliers	**11,448**	7,837
Prepayments and other receivables	**336**	102
	11,784	7,939
	19,720	8,839

14. NOTE RECEIVABLES

The following is an analysis of note receivables, presented based on the date of receipt of notes:

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
1–30 days	**1,698**	1,050
31–60 days	**500**	550
61–90 days	**134**	6,889
91–120 days	**1,230**	100
121–150 days	**1,810**	450
Over 150 days	**380**	500
	5,752	9,539

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Trade payables		
1–30 days	**3,855**	4,825
31–90 days	**1,534**	2,383
Over 90 days	**2,320**	5,506
	7,709	12,714
Accrual for salary and wages	**5,400**	4,800
Deposits from customers	**8,952**	13,687
Payable for acquisition of property, plant and equipment	**2,530**	–
Value-added tax and other tax payable	**2,846**	6,567
Other payables and accrued charges	**15,683**	11,510
	35,411	36,564
	43,120	49,278

16. NOTE PAYABLES

The following is an analysis of note payables, presented based on remaining contractual maturity date at the end of each reporting period:

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
1–30 days	**–**	1,000
31–90 days	**–**	6,250
91–180 days	**–**	11,400
	–	18,650

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

17. BANK BORROWINGS

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Bank borrowings		
– secured bank borrowings	**212,000**	222,000
– trust receipts loans	**52,539**	3,817
	264,539	225,817

During the period, the Group obtained new bank borrowings and trust receipt loans amounting to approximately RMB80,000,000 and RMB52,539,000 (for the six months ended 30 June 2011: RMB143,412,000 and nil), respectively. Included in the trust receipt loans was RMB26,659,000 and RMB13,330,000 (2011: nil) related to the acquisition of property, plant and equipment and the deposits on acquisition of property, plant and equipment respectively. The weighted average effective interest rate of bank borrowing is 6.99% (2011: 6.8%) per annum and the trust receipt loans bore bank charges of 0.05% (2011: 0.05%) or interest at 2.085% (2011: Nil) per annum of the issued trust receipt loans.

All the bank borrowings and trust receipt loans are repayable within one year and the proceeds were used as working capital and to finance capital investments. The Group also repaid bank borrowings amounting to approximately RMB93,817,000 (for the six months ended 30 June 2011: RMB164,737,000) during the period.

During the six months ended 30 June 2012, the Group pledged additional prepaid lease payments with a carrying amount of approximately RMB6,400,000 to secure general banking facilities granted to the Group as at 30 June 2012.

Up to the date of these condensed consolidated financial statements were authorised for issuance, the Group has agreed with certain banks agreed to renew bank loans amounting to RMB125,000,000.

18. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Authorised:			
At 1 January 2012 and 30 June 2012 (at HK$0.1 each)	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 1 January 2012 (at HK$0.1 each)	1,000,000	100,000	81,885
Issued on exercising over-allotment option (note)	12,500	1,250	1,014
At 30 June 2012	1,012,500	101,250	82,899

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

18. SHARE CAPITAL (Continued)

Note: On 18 January 2012, the over-allotment shares of 12,500,000 were allotted and issued by the Company at HK$0.7 per share. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB6,900,000) from these over-allotment shares, after deduction of share issue cost of approximately RMB178,000 payable by the Company. The new shares rank pari passu with the existing shares in all respects.

19. CAPITAL COMMITMENTS

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**115,866**	34,552
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	**35,377**	66,712

20. OPERATING LEASE COMMITMENT

At 30 June 2012, the Group had future aggregate minimum lease payment under non-cancellable operating lease in respect of rental premise, which fall due as follows:

	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Within one year	**396**	–
In the second to fifth year inclusive	**661**	–
	1,057	–

Leases are negotiated for lease terms of three years with fixed rental and management fee over the terms of the relevant lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

21. RELATED PARTY TRANSACTIONS

(a) Names of related companies which have transactions with the Group during the periods and their relationships with the Group are as follows:

Name of related company	Relationship with the Group
(i) 福建省金綸高纖股份有限公司 (Fujian Jinlun Fiber Joint Stock Co., Ltd.*) ("Fujian Jinlun")	Mr. Zheng Baoyou, being father of Mr. Zheng Hong, executive director and a shareholder with significant influence over the Company, is the chairman and legal representative of this related company.
(ii) 高新織材(香港)有限公司 (High-Tech Woven Material (Hong Kong) Limited) ("High-Tech Woven")	Mr. Zheng Hong, has control over this related company.

* English translated name is for identification purposes only.

(b) The Group had the following material transactions with its related parties during the periods:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Purchase of raw materials from Fujian Jinlun	–	3,385
Non-trading advance from High-Tech Woven	–	7,154

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

21 RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of executive directors and other members of key management of the Group during the six months ended 30 June 2012 were as follows:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	RMB'000
Short-term benefits	**1,595**	250
Post-employment benefits	**23**	1
	1,618	251

The remuneration is determined by the Directors having regard to the performance of individuals and market trends.

22. MAJOR NON-CASH TRANSACTION

The secured deposit for obligation under finance lease of RMB3,022,000 has been used to settle the purchase cost of the relevant assets at the end of the lease term during the six months ended 30 June 2012.